

COVID-19 Small Business Loans: Comparing the SBA's Economic Injury Disaster Loans and the CARES Act Paycheck Protection Program

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Small businesses impacted by the COVID-19 pandemic can currently apply to two separate programs to receive loans from the United States federal government. Economic Injury Disaster Loans (EIDL) provide small businesses with up to \$15,000, while the CARES Act Paycheck Protection Program (PPP) provides small businesses with up to \$10,000,000. This comparison highlights the key components of each loan and can help small businesses trying to understand the differences.

EIDL

PPP

Agency/Lender

Small Business Association

Agency/Lender

Existing SBA 7(a) lenders or banks and credit unions pre-approved by the SBA

Term

Up to 30 years

Term

2 years (no prepayment fees)*

Interest Rate

3.75% for businesses and 2.75% for non-profits

Interest Rate

1%*

Eligibility Requirements

Small businesses with no more than 500 employees or that meet the eligible SBA size standards for that industry

Borrower must be adversely impacted by the pandemic and be able to quantify economic injury

Must have the ability to repay as determined by the SBA (credit history examined)

Available to businesses that the SBA determines are not able to borrow elsewhere

Eligibility Requirements

Small businesses with no more than 500 employees or that meet the eligible SBA size standards for that industry

Borrowers must make certain good faith certifications, including that (1) current economic uncertainty makes the loan necessary to support the borrower's ongoing operations and (2) the borrower will use funds to retain workers or otherwise be used for authorized purposes (as described below)

Maximum Amount Available

As of April 15, 2020, the SBA has capped EIDL loans at \$15,000 – it is unclear if this is a temporary measure

Maximum Amount Available

2.5X average monthly payroll costs for the prior 12 months (capped at \$10,000,000)

Payroll Costs means compensation to employees in the form of (1) salary, wages, commissions, or similar compensation, (2) cash tips, (3) payment for vacation, parental, family, medical, or sick leave, (4) payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement and (5) payment of state and local taxes assessed on compensation of employees

For purposes of calculating the maximum amount available, payroll for each employee is capped at \$100,000 (excluding benefits)

EIDL

PPP

Collateral Requirements

Yes – a loan will not be denied due to lack of collateral, but a borrower must pledge collateral that is available

Collateral Requirements

None

Use Restrictions

Loan must be used for fixed debts, payroll costs, accounts payable and other bills that cannot be paid due to the impact of COVID-19

Use Restrictions

Loan must be used for Payroll Costs, mortgage interest, rent, utilities, and interest on other debt incurred before February 15, 2020
At least 75% of the loan must be used specifically for Payroll Costs*

Deferment

Automatic deferral of first payment for 1 year

Deferment

Deferral of payments on principal and interest for 6 months, but interest still accrues during this period*

Forgiveness

N/A

Forgiveness

Loan forgiveness is equal to payments of Payroll Costs, mortgage interest, rent and utility payments made during 8-week period after the disbursement of the loan to the borrower (the "Covered Period")

Reductions to Loan Forgiveness

N/A

Reductions to Loan Forgiveness

Reductions in FTEs: The amount of loan forgiveness will be decreased if the borrower reduces the number of full-time equivalent employees (FTEs) during the Covered Period as compared to the average number of FTEs from either (A) February 15, 2019 to June 30, 2019 or (B) January 1, 2020 to February 29, 2020. Borrower must choose between the two relevant periods for purposes of determining historic FTEs

Benefits of Rehiring: No penalty will be assessed if the total number of FTEs by June 30, 2020 is equal to the average number of FTEs in the applicable measurement period described above

Reductions in Payroll: The amount of loan forgiveness will be decreased if the borrower reduces the pay of any employee making less than \$100,000 by more than 25% from the level of pay in effect as of the last complete calendar quarter

Repairing Reductions in Payroll: No penalty will be assessed if the borrower restores the salaries of employees making less than \$100,000 to the level of pay in effect as of the last complete calendar quarter by June 30, 2020

Other Information

Up to \$10,000 emergency advance or grant, which need not be repaid – even if the applicant is not approved for the EIDL loan

Other Information

N/A

Application

EIDL [Application Link](#)

Application

Applications are made through any existing [eligible SBA 7\(a\) lender](#) or through banks and credit unions pre-approved by the SBA

Borrower must submit SBA Form 2483 and payroll documentation

*Guidance based on the [Interim Final Rule](#) published on April 2, 2020.